

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, THE
EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF
PUERTO RICO, AND THE PUERTO RICO PUBLIC
BUILDINGS AUTHORITY,

Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF THE FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO REGARDING THE COVID-19
PANDEMIC AND PROPOSED DISCLOSURE STATEMENT SCHEDULE**

To the Honorable United States District Court Judge Laura Taylor Swain:

The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as Title III representative of the Commonwealth of Puerto Rico (the “Commonwealth”), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”), and the Puerto Rico Public Buildings Authority (“PBA”), pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”)² (the Oversight Board,

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² PROMESA is codified at 48 U.S.C. §§ 2101-2241.

in its capacity as representative of the Commonwealth, ERS, and PBA, is referred to as the “Debtors”), respectfully submits this status report (the “Status Report”) in connection with the *Order Granting Motion to Adjourn Hearing to Consider the Adequacy of Information Contained in the Disclosure Statement and Related Deadlines* [ECF No. 12549] (the “Adjournment Order”).

Background

1. In response to the spread of COVID-19 throughout Puerto Rico, and its effects on the people and economy of Puerto Rico, on March 23, 2020, the Oversight Board filed the *Urgent Motion to Adjourn Hearing to Consider the Adequacy of Information Contained in the Disclosure Statement and Related Deadlines* [ECF No. 12485] (the “Adjournment Motion”).

2. On March 26, 2020, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) filed its *Informative Motion Regarding the Government of Puerto Rico’s Response to COVID-19 and the Impact on These Title III Cases* [ECF No. 12542], a copy of which is attached hereto as **Exhibit A**, which provides a summary of the Government’s response to COVID-19 and noting the Government’s support for the Oversight Board’s request in the Adjournment Motion.

3. On March 27, 2020, the Court entered the Adjournment Order granting the relief requested in the Adjournment Motion, and directing the Debtors to file a status report “setting forth, in summary terms, the effects of COVID-19 on the Commonwealth and the measures being undertaken in the Commonwealth to address the pandemic, and a proposed schedule for the Disclosure Statement Hearing and related deadlines” on or before May 1, 2020. Adjournment Order ¶ 3.

4. On April 21, 2020, in connection with the April 22, 2020 omnibus hearing, the Oversight Board filed its *Status Report of the Financial Oversight and Management Board*

Pursuant to Order Dated April 13, 2020 Regarding Procedures for April 22, 2020 Omnibus Hearing [ECF No. 12910] (the “FOMB Status Report”), a copy of which is attached hereto as **Exhibit B**, which provided a summary of the measures the Oversight Board has taken together with the Government of Puerto Rico to address the COVID-19 pandemic. Similarly, AAFAF filed its *Status Report of the Puerto Rico Fiscal Agency and Financial Advisory Authority Regarding the Government of Puerto Rico’s Recent Activities in Response to the Ongoing COVID-19 Pandemic* [ECF No. 12921] (the “AAFAF Status Report”), a copy of which is attached hereto as **Exhibit C**, detailing the impact of COVID-19 on Puerto Rico and its economy, and the aid received and measures taken to combat the virus.

FY2021 Fiscal Plan and Budget Timeline

5. The COVID-19 pandemic has reshaped the economic landscape of the world, including Puerto Rico. Before the Debtors’ plan and disclosure statement process can continue, the Oversight Board must assess this new and changing landscape, beginning with the development of a revised Commonwealth fiscal plan and budget.

6. Pursuant to PROMESA sections 201 and 202, the development and certification of the fiscal plan and budget is a collaborative process between the Oversight Board and the Government of Puerto Rico. Sections 201(a) and 202(a) of PROMESA provide that the Oversight Board shall establish the schedule for the process of development, submission, approval, and certification of the fiscal plan and budget. PROMESA §§ 201(a), 202(a).

7. In accordance with such schedule, the Governor must submit a proposed fiscal plan, which the Oversight Board will review to determine whether it satisfies the requirement set forth in PROMESA section 201(b). During this process, the Oversight Board continues to work with

the Governor to develop a compliant fiscal plan, but the Oversight Board may also certify its own fiscal plan. PROMESA § 201(c), (d).

8. Following the certification of the fiscal plan, the Governor must submit a proposed budget to the Oversight Board to review for compliance with the applicable certified fiscal plan. With respect to the budget for the Commonwealth, after approval by the Oversight Board of the proposed budget,³ such budget will be submitted to the Legislature for adoption, and is subject to review by the Oversight Board for compliance with the certified fiscal plan. PROMESA § 202(d). Alternatively, the Oversight Board may formulate and certify its own budget, in which instance it is deemed approved by the Governor and Legislature. PROMESA § 202(e)(3), (4)

9. In connection with the process to develop the Fiscal Year 2021 Commonwealth Fiscal Plan, the Oversight Board granted the Government's requests for an extension of time to submit a revised proposed updated fiscal plan for the Commonwealth, and set April 15, 2020 as the deadline for the submission of such fiscal plan.⁴ On April 15, 2020, this deadline was further extended to May 3, 2020, and also included the submission of a proposed updated fiscal plan for PREPA by such time.⁵

10. The Oversight Board must determine, in its sole discretion, when to certify the updated fiscal plans as the uncertainty of the COVID-19 pandemic continues to unfold. With respect to the Commonwealth, the Oversight Board hopes to certify the Commonwealth fiscal plan by the end of May, 2020. Moreover, the schedule for development and certification of other

³ PROMESA § 201(c)(1).

⁴ Letter to Governor Vázquez Garced, President Rivera Schatz, and Speaker Méndez Núñez, Financial Oversight and Management Board for Puerto Rico (Mar. 17, 2020), *available at* <https://oversightboard.pr.gov/documents/>.

⁵ Letter to Governor Vázquez Garced, President Rivera Schatz, and Speaker Méndez Núñez, Financial Oversight and Management Board for Puerto Rico (Apr. 15, 2020), *available at* <https://oversightboard.pr.gov/documents/>.

instrumentalities' fiscal plans could be adjusted to align with the Commonwealth and PREPA schedules.

11. The certification of the fiscal plan is a necessary first step and forms the foundation of the budgetary process. Pursuant to PROMESA section 202(e), a budget for the Commonwealth's next fiscal year must be certified by the close of the Commonwealth's current fiscal year, June 30, 2020.

Timeline for Debtors' Plan of Adjustment and Disclosure Statement

12. Given the continuing uncertainty created by the COVID-19 pandemic, the Oversight Board's immediate focus is to ensure the health and well-being of the people of Puerto Rico, and to assess the short- and medium-term impact of the pandemic on Puerto Rico's economy, which will depend on when and on what schedule Puerto Rico's economy will reopen, and the complicated nature of what a post-COVID-19 Puerto Rico and world economy will look like. Furthermore, the extent of Puerto Rico's continued access to federal relief funding to address the pandemic is uncertain.

13. Before the Debtors' plan of adjustment and disclosure statement process can move forward, the Oversight Board must assess the pandemic's impact and the extremely difficult recovery ahead for Puerto Rico. As part of that process, and as noted above, the Oversight Board anticipates completing the process of revising the Commonwealth fiscal plan by the end of May, 2020. When that is done, discussions with creditors can be informed by the latest projections. Accordingly, the Oversight Board is unprepared at this time to propose a schedule for the Debtors' plan and disclosure statement process, and respectfully requests that it be permitted to provide the Court an updated status report on the Oversight Board's position on or before July 15, 2020, which

will allow the Oversight Board time to assess a proposed timeline in light of the certified budgets and fiscal plans.

Extension of PBA Bar Date and Deadline to Submit Retiree Benefit Information

14. As noted in the FOMB Status Report, due to the restrictions imposed by various executive orders of the Governor in response to the COVID-19 pandemic and their impact on various publications and the people of Puerto Rico, the Oversight Board contemplated filing a motion requesting the Court to extend the deadline by which creditors of PBA must file proofs of claim, April 30, 2020, until June 26, 2020 and to approve supplemental forms and manner of publication in connection therewith. FOMB Status Report ¶ 17. The Oversight Board filed such motion on April 29, 2020,⁶ and by order, dated May 1, 2020,⁷ the Court granted the relief requested.

15. Additionally, on April 30, 2020, the Oversight Board filed the *Motion of the Commonwealth of Puerto Rico and the Employees Retirement System of the Government of the Commonwealth of Puerto Rico for Entry of an Order (A) Extending the Return Date for Filing Information Forms and (B) Approving Form and Manner of Notice Thereof* [ECF No. 12993], seeking an extension of the deadline for certain employee claimants to submit information forms containing certain requested information in connection with the solicitation of the disclosure statement for the Debtors, May 21, 2020, until June 26, 2020, and approval of the form and manner of notice in connection therewith.

⁶ *Motion of the Puerto Rico Public Buildings Authority for Entry of Order (A) Extending the Deadline for Filing Proofs of Claim and (B) Approving Form and Manner of Notice Thereof* [ECF No. 12991].

⁷ *Order Granting Motion of the Puerto Rico Public Buildings Authority for Entry of Order (A) Extending the Deadline for Filing Proofs of Claim and (B) Approving Form and Manner of Notice Thereof* [ECF No. 13015].

Dated: May 1, 2020
San Juan, Puerto Rico

Respectfully submitted,

/s/ Martin J. Bienenstock

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